

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Hayes Township	County Clare
Audit Date 6/30/05	Opinion Date 10/10/05	Date Accountant Report Submitted to State: 12/16/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name)

Page, Olson & Company, P.C., CPA's

Street Address

2865 South Lincoln Road - P.O. Box 368

City

Mt. Pleasant

State

MI

ZIP

48808-0368

Accountant Signature

Date

12/16/05

HAYES TOWNSHIP, CLARE COUNTY

STATE OF MICHIGAN

AUDITED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2005

HAYES TOWNSHIP, CLARE COUNTY
YEAR ENDED JUNE 30, 2005

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HAYES TOWNSHIP, CLARE COUNTY
TOWNSHIP OFFICIALS
YEAR ENDED JUNE 30, 2005

SUPERVISOR

John Scherrer

CLERK

Kevin Breese

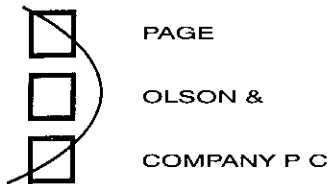
TREASURER

Elizabeth Wilson

TRUSTEES

Robert Hale

Lee Dancer



INDEPENDENT AUDITORS' REPORT

October 10, 2005

Township Board
Township of Hayes
Clare County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Hayes as of and for the year ended June 30, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in the Summary of Significant Accounting Policies, Note 1-C, the Township prepares its financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Consequently, revenue and the related assets are recognized only when received and expenditures are recognized only when paid.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Hayes as of June 30, 2005, and the respective changes in cash basis financial position thereof for the year then ended in conformity with the basis of accounting described in Note 1-C.

The Management's Discussion and Analysis and budgetary comparison information on pages 5 through 8 and 25 through 29 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Township Board
Township of Hayes
Clare County, Michigan

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Township of Hayes basic financial statements. The financial information identified in the table of contents as Other Supplemental Information and included in the report is reported for purposes of additional analysis and is not a required part of the general purpose financial statements of the Township of Hayes. Such information relative to June 30, 2005 and for the year then ended, has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole on the basis of accounting described in Note 1-C. Such information relative to June 30, 2004 and for the year then ended was subjected to auditing procedures applied in the audit of the general purpose financial statements for the year ended June 30, 2004 and is presented here for comparison purposes only.

Our report of comments and recommendations is included herein and forms a part of this report.

Page, Olson & Company

**HAYES TOWNSHIP, CLARE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005**

The discussion and analysis of the Township's financial performance provides an overview of the Township's financial activities for the year ended June 30, 2005. Please read it in conjunction with the Township's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2005:

State shared revenue, our largest single source of revenue in the General Fund, was reduced by the State of Michigan by approximately \$12,700. This reduction was the result of changes in the formula used by the State and decrease in sales tax revenues collected by the State.

General Fund fund balance decreased by \$182,762.

Three Capital Project funds were established to account for the construction of park and pathway improvements.

Using this Annual Report

This discussion and analysis are intended to serve as an introduction of the Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as cash is either collected or paid as is consistent with the cash basis of accounting employed by the Township.

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include general government, public safety, public works, health & welfare, recreation & culture, and Debt Service. The Township does not currently have any business-type activities.

The government-wide financial statements can be found on pages 9 and 10 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

**HAYES TOWNSHIP, CLARE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005**

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements.

The Township maintains 8 individual governmental funds 5 of which are considered to be major funds. Information is presented separately in the governmental fund statement of assets and liabilities arising from cash transactions and in the governmental fund statement of revenue collected, expenditures paid, and changes in cash basis fund balance for the all 8 governmental funds.

The Township adopts an annual appropriated budget for its general fund and all special revenue fund types. Budgetary comparison statements have been provided in the supplemental section of the report to demonstrate the extent of compliance with these budgets.

The basic governmental fund financial statements can be found on pages 11 and 12 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Township's own programs. Currently the Township has 2 funds that are agency type funds.

The basic fiduciary fund financial statements can be found on page 13 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15 through 21 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents other supplementary information showing combining statements for the Township's non-major capital project funds. Also a schedule is presented in connection with general fixed asset, which are not reported on the statement of net assets as is consistent with the cash basis of accounting. Additionally, detailed information on the General Funds expenditures by object account is also presented as other supplemental information. These schedules can be found on pages 33 through 42 of this report.

Government-wide Financial Analysis

The following table shows, in condensed format, the net assets of the Township as of June 30, 2005.

	<u>2005</u>	<u>2004</u>
Total Assets	\$ 731,426	\$ 927,870
Total Liabilities	4,310	173
Net Assets		
Restricted for Debt Service	36,390	28,164
Unrestricted	<u>690,726</u>	<u>899,533</u>
Total Net Assets	<u>\$ 727,116</u>	<u>\$ 927,697</u>

The Township's total net assets were \$727,116 at June 30, 2005. Of that balance, \$36,390 was restricted to pay up coming Note payments and \$690,726 was available for general operations.

**HAYES TOWNSHIP, CLARE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005**

The following table shows the changes in net assets during the year ended June 30, 2005.

Revenue	<u>2005</u>	<u>2004</u>
Program Revenue		
Charges for Services	\$ 299,752	\$ 298,915
Operating Grants/Contributions	835	1,000
General Revenue		
Property Taxes	323,418	305,517
Revenue Sharing	364,527	377,226
Interest and Dividends	16,419	8,341
Other	<u>1,719</u>	<u>3,233</u>
 Total Revenue	 1,006,670	 994,232
 Program Expenses		
Legislative	15,223	11,411
General Government	255,400	251,164
Public Safety	82,651	57,885
Public Works	599,603	465,904
Recreation and Culture	97,944	103,005
Highways and Streets	40,239	57,000
Other Functions	93,221	85,904
Debt Service	<u>22,970</u>	<u>22,970</u>
 Total Program Expenses	 <u>1,207,251</u>	 <u>1,055,243</u>
 Changes in Net Assets	 <u>\$ (200,581)</u>	 <u>\$ (61,011)</u>

As reported in the statement of activities, the cost of the Township's governmental activities this year was \$1,207,251. Certain activities were partially funded from those who benefited from the programs through charges for services (\$299,752). The balance of the expenses were paid for with taxes (\$323,418), state shared revenue (\$364,527), and other revenues such as interest along with pulling from past surplus's (net assets of \$200,581).

Governmental Fund Financial Analysis

The governmental funds reported a combined fund balance of \$727,116, which is a decrease of \$200,581 from last year. The General Fund experienced a decrease of \$182,762. The primary change in expenditures from the prior year was an increase in Public Works due mainly to a road paving project in the current year. The General Fund revenue remained fairly constant with the prior year.

The balance of the governmental funds had fairly insignificant changes in fund balance.

**HAYES TOWNSHIP, CLARE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2005**

General Fund Budgetary Highlights

The Township's General Fund is used to manage the revenue and expenditures not otherwise appropriated for specific purposes. Budgeted amounts are estimated each year and based on prior year's figures, contracts in house at the time of budget workshops, a review of past history and potential future purchases deemed necessary.

The most significant difference in the General Fund budgeted expenditures and the ending actual expenditures was primarily due to a transfer to the Rubbish Fund that was required at year end but not included in the budget.

Capital Asset and Debt Administration

As discussed earlier, the Township uses the cash basis of accounting therefore recognizing expenditures only when payments are made. Therefore all capital assets are expensed at the time they are paid for and not reported as assets on the statement of the net assets.

The Township has 2 Notes Payable with the Clare County Road Commission. The debt is serviced by special assessments levied against property owners within the special assessment district. Annual payments of \$22,970 are expensed as they are paid. The outstanding principal balance at June 30, 2005 was \$59,516, but is not shown as a liability since the cash basis of accounting is used.

Contacting the Township's Management

The financial report is designed to provide the Township's citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township Clerk or Treasurer at the Township Hall.

HAYES TOWNSHIP, CLARE COUNTY
STATEMENT OF NET ASSETS - CASH BASIS
YEAR ENDED JUNE 30, 2005

	Statement I
	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and Investments	\$ 730,226
Due from Trust and Agency Fund	<u>1,200</u>
 Total Assets	 <u>\$ 731,426</u>
 <u>LIABILITIES AND NET ASSETS</u>	
<u>LIABILITIES</u>	
Due to Other Governments	\$ 4,310
 <u>NET ASSETS</u>	
Restricted for Debt Service	36,390
Unrestricted	<u>690,726</u>
 Total Net Assets	 <u>727,116</u>
 Total Liabilities and Net Assets	 <u>\$ 731,426</u>

The accompanying notes are an integral part of the financial statements.

HAYES TOWNSHIP, CLARE COUNTY
STATEMENT OF ACTIVITIES - CASH BASIS
YEAR ENDED JUNE 30, 2005

Statement II

	<u>Program Revenues</u>			<u>Governmental Activities</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
Functions / Programs				
Primary Government:				
Governmental Activities				
Legislative	\$ 15,223	\$ -	\$ -	\$ (15,223)
General Government	255,400	10,076	835	(244,489)
Public Safety	82,651	4,225		(78,426)
Public Works	599,603	235,352		(364,251)
Recreation and Culture	97,944	9,349		(88,595)
Highways and Streets	40,239	-		(40,239)
Other Functions	93,221	-		(93,221)
Debt Service	<u>22,970</u>	<u>40,750</u>	<u>-</u>	<u>17,780</u>
Total Governmental Activities	1,207,251	299,752	835	(906,664)
General Revenues:				
Property Taxes				323,418
Revenue Sharing				364,527
Interest and Dividends				16,419
Other				<u>1,719</u>
Total General Revenues				<u>706,083</u>
Changes in Net Assets				(200,581)
Net Assets - July 1				<u>927,697</u>
Net Assets - June 30				<u>\$ 727,116</u>

The accompanying notes are an integral part of the financial statements.

HAYES TOWNSHIP, CLARE COUNTY
STATEMENT OF ASSETS AND LIABILITIES
ARISING FROM CASH TRANSACTIONS - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005

							Statement III
	General Fund	Municipal Street Fund	Rubbish Fund	Gypsy Moth Fund	Township Improvement Fund	Non Major Funds	Total
<u>ASSETS</u>							
Cash and Investments	\$372,301	\$201,059	\$ -	\$ 20,852	\$ 93,846	\$ 42,168	\$ 730,226
Due from Trust and Agency Fund	<u>1,200</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,200</u>
Total Assets	<u>\$373,501</u>	<u>\$201,059</u>	<u>\$ -</u>	<u>\$ 20,852</u>	<u>\$ 93,846</u>	<u>\$ 42,168</u>	<u>\$ 731,426</u>
<u>LIABILITIES AND FUND EQUITY</u>							
<u>LIABILITIES</u>							
Due to Other Governments	\$ 4,310	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,310
<u>FUND EQUITY</u>							
Fund Balance:							
Reserved for Capital Projects	-	-	-	-	-	42,168	42,168
Reserved for Debt Service	36,390	-	-	-	-	-	36,390
Unreserved - Undesignated	<u>332,801</u>	<u>201,059</u>	<u>-</u>	<u>20,852</u>	<u>93,846</u>	<u>-</u>	<u>648,558</u>
Total Fund Equity	<u>369,191</u>	<u>201,059</u>	<u>-</u>	<u>20,852</u>	<u>93,846</u>	<u>42,168</u>	<u>727,116</u>
Total Liabilities and Fund Equity	<u>\$373,501</u>	<u>\$201,059</u>	<u>\$ -</u>	<u>\$ 20,852</u>	<u>\$ 93,846</u>	<u>\$ 42,168</u>	<u>\$ 731,426</u>

The accompanying notes are an integral part of the financial statements.

HAYES TOWNSHIP, CLARE COUNTY
STATEMENT OF REVENUE COLLECTED, EXPENDITURES PAID AND
CHANGES IN CASH BASIS FUND BALANCE - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005

Statement IV

	General	Municipal	Rubbish	Gypsy	Township	Non Major	Total
	Fund	Street	Fund	Moist Fund	Improvement	Funds	
<u>REVENUE COLLECTED</u>							
Taxes	\$ 68,019	\$ 67,631	\$ -	\$ 145,115	\$ -	\$ -	\$ 280,765
Administrative Fee on Property Tax Collections	28,039	-	-	-	-	-	28,039
Summer Tax Reimbursement	14,615	-	-	-	-	-	14,615
Special Assessments	40,750	-	180,841	-	-	-	221,591
Licenses and Permits	4,225	-	-	-	-	-	4,225
Intergovernmental Revenue	364,527	-	-	-	-	-	364,527
Charges for Services	9,074	-	-	-	-	-	9,074
Interest and Dividend Earnings	16,416	-	-	2	-	-	16,418
Rents and Royalties	64,862	-	-	-	-	-	64,862
Donations - Private Sources	835	-	-	-	-	-	835
Other	1,719	-	-	-	-	-	1,719
TOTAL REVENUE COLLECTED	613,081	67,631	180,841	145,117	-	-	1,006,670
<u>EXPENDITURES PAID</u>							
Legislative	15,223	-	-	-	-	-	15,223
General Government	255,400	-	-	-	-	-	255,400
Public Safety	82,651	-	-	-	-	-	82,651
Public Works	190,520	-	213,755	141,082	-	54,246	599,603
Recreation and Culture	97,944	-	-	-	-	-	97,944
Highways and Streets	-	40,239	-	-	-	-	40,239
Other Functions	93,221	-	-	-	-	-	93,221
Debt Service	22,970	-	-	-	-	-	22,970
TOTAL EXPENDITURES PAID	757,929	40,239	213,755	141,082	-	54,246	1,207,251
EXCESS REVENUE COLLECTED OVER (UNDER) EXPENDITURES PAID	(144,848)	27,392	(32,914)	4,035	-	(54,246)	(200,581)
<u>OTHER FINANCING SOURCES (USES)</u>							
Operating Transfer Out to Other Funds	(37,914)	(50,000)	-	-	(41,414)	-	(129,328)
Operating Transfer In from Other Funds	-	-	32,914	-	-	96,414	129,328
TOTAL OTHER FINANCING SOURCES (USES)	(37,914)	(50,000)	32,914	-	(41,414)	96,414	-
EXCESS REVENUE COLLECTED AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES PAID AND OTHER FINANCING USES	(182,762)	(22,608)	-	4,035	(41,414)	42,168	(200,581)
CASH BASIS FUND BALANCE - JULY 1	551,953	223,667	-	16,817	135,260	-	927,697
CASH BASIS FUND BALANCE - JUNE 30	\$ 369,191	\$ 201,059	\$ -	\$ 20,852	\$ 93,846	\$ 42,168	\$ 727,116

The accompanying notes are an integral part of the financial statements.

HAYES TOWNSHIP, CLARE COUNTY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2005

Statement V

	Lake Improvement Fund	Current Property Tax Collection Fund
<u>ASSETS</u>		
Cash in Checking	\$ 43,111	\$ 3,683
Change Fund	-	-
TOTAL ASSETS	<u>\$ 43,111</u>	<u>\$ 3,683</u>
<u>LIABILITIES</u>		
Due to General Fund	\$ -	\$ 1,200
Due to Sutherland Lake Association	17,734	-
Due to Little Long Lake Association	24,540	-
Due to Cranberry Lake Association	146	-
Due to Budd Lake Association	691	-
Undistributed Receipts	-	2,483
TOTAL LIABILITIES	<u>\$ 43,111</u>	<u>\$ 3,683</u>

HAYES TOWNSHIP, CLARE COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

Statement VI

	Lake Improvement Fund	Current Property Tax Collection Fund
<u>ADDITIONS</u>		
Collections:		
Property Taxes and Special Assessments	\$ 88,216	\$ 2,378,444
Investment Income:		
Interest	-	-
Total Additions	88,216	2,378,444
<u>Deductions</u>		
Disbursements:		
Distributed Taxes and Special Assessments	91,058	2,380,762
Change in Net Assets	(2,842)	(2,318)
Net Assets - July 1	<u>45,953</u>	<u>6,001</u>
Net Assets - June 30	<u>\$ 43,111</u>	<u>\$ 3,683</u>

The accompanying notes are an integral part of the financial statements.

HAYES TOWNSHIP, CLARE COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005

Statement VII

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Hayes Township is a regular law Michigan Township with a population in excess of 4,000 people. The Township is governed by a five-member board of officials, elected by the Township electorate.

A. FINANCIAL REPORTING ENTITY

In evaluating how to define the government, for financial reporting purposes, management has considered all potential agencies and organizations. The decision to include a potential agency or organization in the reporting entity was made by applying the criteria set for by the Governmental Accounting Standards Board (GASB) Statement 14. Generally, component units are legally separate organizations for which the elected officials of the Township are financially accountable. Financial accountability is determined by the Township's ability to impose its will on the component unit, as well as the unit's significance regarding the operational and financial relationship with the Township. Based upon the application of this criteria, we found no other units that should be classified as component units.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on the fees and charges for support. The Township does not have any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds reported as separate columns in the fund financial statements.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported on the cash basis of accounting. Revenues are recorded only when collected and expenditures are recorded only when paid.

The governmental fund financial statements are also reported on the cash basis of accounting and therefore revenues are recorded only when collected and expenditures are recorded only when paid.

**HAYES TOWNSHIP, CLARE COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005**

Statement VII

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (Continued)

The Township reports the following major governmental funds:

The General Fund in the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Municipal Street Fund is a Special Revenue Fund that receives an extra voted millage and is used to account for street projects for which the Township shares a portion of the costs.

The Rubbish Fund is a Special Revenue Fund that receives special assessments used to pay for trash removal activities.

The Gypsy Moth Fund is a Special Revenue Fund that receives an extra voted millage and is used to account for the spraying for gypsy moths.

The Township Improvement Fund is a Special Revenue Fund used to fund future Township improvements.

Additionally, the Township reports the following fund types:

Capital Projects are used to account for the construction of the Township's park improvements.

Agency funds are used to account for assets held by the Township acting as an agent for individuals, private organizations, other governments, or funds. These funds are custodial in nature and do not involve measurement of the results of operation.

D. CASH AND INVESTMENTS

The General, Municipal Street, Gypsy Moth, Rubbish, Township Improvement, and Lake Improvement Funds of Hayes Township share in the Business Indexed Checking held at a local financial institution. It is possible, therefore, that at certain times during the fiscal year some Funds may have negative account balances. This represents a type of temporary interfund borrowing rather than being indicative of cash overdrafts.

E. FIXED ASSETS

Fixed Asset purchases are recorded as capital outlay expenditures in the General and Special Revenue Funds at the time of purchase.

F. LONG-TERM DEBT

Long-term debt arising from cash basis transactions of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources when received and payment of principal and interest are reported as expenditures when paid.

G. RESERVATIONS AND FUND BALANCE

Reservations of fund balance are established to identify the existence of assets that are legally restricted to a future use or the existence of assets that, because of their nonmonetary nature or lack of liquidity, represent financial resources not available for current appropriation or expenditure. These include such assets as long-term advances to other funds or entities and prepaid expenditures.

HAYES TOWNSHIP, CLARE COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005

Statement VII

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. PROPERTY TAXES

Hayes Township levies a millage of 0.7871 mills for general operations, 0.7871 mills for municipal street improvement, and 1.7000 mills for gypsy moth spraying.

The Township property tax is levied on December 1. Taxes are payable on a current basis from December 1 to February 28, at which point they become delinquent.

Current and delinquent real property taxes are recorded as revenue in the year of levy. Clare County, the county in which the Township of Hayes is located, has a delinquent tax revolving fund whereby the County pays the Township for its delinquent real property taxes. It then becomes the County's responsibility to collect these delinquent taxes from the various taxpayers. Delinquent personal property taxes are considered immaterial and are recognized as revenue in the year collected.

I. FRINGE BENEFITS

The Township's employees are covered by worker's compensation insurance and social security. Each of the elected officials and full-time employees also receive one or more of health, pension, and life insurance benefits.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Annual budgets are adopted on a basis consistent with the basis of accounting utilized by the Township for the general fund. All annual appropriations lapse at fiscal year end.

The budget document presents information at the line item level. The legal level of budgetary control adopted by the board (i.e. the level at which expenditures may not legally exceed appropriations) is the fund level for the general fund and all special revenue funds. State law requires the Township to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits Townships to amend its budgets during the year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures because the goods or services have not been received as of year end; the commitments will be reappropriated and honored during the subsequent year.

Michigan Public Act 621 of 1978 provides that a local unit shall not incur expenditures in excess of the amount appropriated based on the level of control exercised over the adopted budget. Budgets are adopted on a fund level for all funds. Disclosure of all unfavorable appropriation variances based on the level of control exercised over the adopted budget is as follows:

	<u>Appropriation</u>	<u>Expenditures</u>	<u>Excess</u>
General Fund	\$ 748,095	\$ 795,843	\$ 47,748
Municipal Street Fund	60,000	90,239	30,239
Rubbish Fund	213,500	213,755	255
Township Improvement Fund	-	41,414	41,414

HAYES TOWNSHIP, CLARE COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005

Statement VII

NOTE 3 - CASH AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations.

Investments can also be made in bonds, securities and other obligations of the United States, or an agency or instrumentality of the United States; repurchase agreements consisting of bonds, securities, and other obligations of the United States; bankers acceptances of United States banks; obligations of this State or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service; commercial paper rated within the two highest classifications by not less than two standard rating services which mature not more than 270 days after the date of purchase; mutual funds registered under the investment company act of 1940, with the authority to purchase only investments by a public corporation; obligations described above if purchased through an inter-local agreement under the Urban Cooperations Act of 1967, PA 7, MCL 124.501 to 124.512; investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, 129.111 to 129.118, and the investment pools organized under the Local Government Investment Pool Act, 1985 PA 121, MCL 129.141 to 129.150.

Michigan law prohibits security in the form of collateral, surety bonds, or other forms for the deposit of public money. The Township's deposits are in accordance with statutory authority.

At year end, the carrying value of cash and investments held by Hayes Township is as follows:

Carrying Value

Petty Cash and Change Fund	\$ 450
Deposits with Financial Institutions:	
Cash in Checking	576,570
Certificates of Deposit	<u>200,000</u>
Total Deposits with Financial Institutions	<u>776,570</u>
Total Cash and Investments	<u>\$ 777,020</u>

<u>Deposits with Financial Institutions</u>	<u>Insured FDIC</u>	<u>Uninsured</u>	<u>Total</u>
	<u>Carrying Amounts</u>		
Cash in Checking	\$ 260	\$ 44,648	\$ 44,908
Money Market	100,000	329,445	429,445
Business Indexed Checking	100,000	2,217	102,217
Certificates of Deposit	<u>100,000</u>	<u>100,000</u>	<u>200,000</u>
Total Deposits	<u>\$ 300,260</u>	<u>\$ 476,310</u>	<u>\$ 776,570</u>

**HAYES TOWNSHIP, CLARE COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005**

Statement VII

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

	<u>Bank Balances</u>		
Cash in Checking	\$ 3,055	\$ 51,411	\$ 54,466
Money Market	100,000	329,445	429,445
Business Indexed Checking	100,000	2,217	102,217
Certificates of Deposit	100,000	100,000	200,000
Total Deposits	<u>\$ 303,055</u>	<u>\$ 483,073</u>	<u>\$ 786,128</u>

Due to varying cash flows, the Township's deposits with financial institutions were higher during the year than at year end. Therefore, there may have been more deposits that were uninsured at points during the year.

NOTE 4 - INTERFUND RECEIVABLE, PAYABLES AND TRANSFERS

Interfund Receivables and Payables

The following is a listing of the interfund receivable and payable balances as of June 30, 2005:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Agency Fund	<u>\$ 1,200</u>

The following is a listing of interfund transfers for the year ended June 30, 2004:

<u>Fund Transferred From</u>	<u>Fund Transferred To</u>	
General Fund	Rubbish Fund	\$ 32,914
General Fund	TEA-21 Capital Project Fund	5,000
Municipal Street Fund	Logan Capital Project Fund	50,000
Township Improvement Fund	Recreation Development Capital Project	41,414
		<u>\$ 129,328</u>

NOTE 5 - FUND EQUITY - RESERVED FUND BALANCE

Reservations

The Fund Balance in the General Fund has been reserved for the amounts collected on Special Assessments which are for future payments of the assessment payable to the County. The amount available for this debt at June 30, 2005 was \$36,390.

NOTE 6 - AGENCY FUND TYPE - LAKE IMPROVEMENT FUND

The property tax levies beginning in December 1985 include special assessments levied against the benefited taxpayers for the purpose of making improvements to various area lakes. The improvements are being made by the lake associations. The Township is acting as custodian for the special assessment monies (transferred from the Current Property Tax Collections Fund to the Lake Improvement Fund) until such time as they are spent by the associations.

HAYES TOWNSHIP, CLARE COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005

Statement VII

NOTE 7 - PENSION INVESTMENT PLAN

Elected officials and full-time employees are eligible (after three months of employment) for participation in the Township's Pension Investment Plan. Contributions to the Pension Investment Plan, which is administered by Manufacturer's Life Insurance Company, are equal to 15% of the gross annual salary of each official or employee.

For the year ended June 30, 2005, the Township made its required contribution of \$35,204. The value of the plan's assets and vested benefits as of June 30, 2005 is \$194,386.

NOTE 8 - LONG-TERM DEBT

The Township has two Notes Payable with Clare County Road Commission for road projects. Debt Service is financed by a special assessment levied against property owners within the special assessment district. Revenues from special assessments and expenditures to pay bond principal and interest are reported in the General Fund. Since the cash basis of accounting is used, the liability is not recorded on the books of the Township, but is disclosed as follows:

Notes Payable outstanding at June 30, 2005 and Debt Service requirements to maturity were as follows:

Lakeview/Lansing Road Improvements

<u>Date of Issue</u>	<u>Authorized Amount</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Outstanding Principal Balance</u>
July 24, 1996	\$ 127,900	6.00%	08/01/06	\$ 23,475
<u>Year Ended June 30,</u>		<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2006		1,408	11,394	12,802
2007		724	12,081	12,805
		<u>\$ 2,132</u>	<u>\$ 23,475</u>	<u>\$ 25,607</u>

Oak Leaf Subdivision Road Improvements

<u>Date of Issue</u>	<u>Authorized Amount</u>	<u>Interest Rate</u>	<u>Date of Maturity</u>	<u>Outstanding Principal</u>
August 20, 1998	\$ 81,804	5.00%	08/01/08	\$ 36,041
<u>Year Ended June 30,</u>		<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2006		1,802	8,362	10,164
2007		1,384	8,780	10,164
2008		945	9,219	10,164
2009		484	9,680	10,164
		<u>\$ 4,615</u>	<u>\$ 36,041</u>	<u>\$ 40,656</u>

**HAYES TOWNSHIP, CLARE COUNTY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2005**

Statement VII

NOTE 8 - LONG-TERM DEBT (Continued)

The Township had outstanding special assessments receivable from residents which will be collected in future years. The special assessment receivable at June 30, 2005 was \$61,595. This Special Assessment is to provide the proceeds to pay off the Notes Payable to the County Road Commission.

NOTE 9 - RELATED PARTY TRANSACTIONS

The Township has entered into an assessing contract with an outside assessing agency. The agency is owned and operated by a deputy Township official. The contract is calculated on a per parcel basis at \$6.00 per parcel for a total of \$36,816. As of June 30, 2005 the Township had paid the contract in full.

REQUIRED SUPPLEMENTAL INFORMATION

**HAYES TOWNSHIP, CLARE COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON - GENERAL FUND
YEAR ENDED JUNE 30, 2005**

Schedule 1

	Original Budget	Final Amended Budget	Actual
<u>REVENUE COLLECTED</u>			
Taxes			\$ 68,019
Administrative Fee on Property Tax Collections			28,039
Summer Tax Reimbursement			14,615
Special Assessments			40,750
Licenses and Permits			4,225
Intergovernmental Revenue			364,527
Charges for Services			9,074
Interest and Dividend Earnings			16,416
Rents and Royalties			64,862
Donations - Private Sources			835
Other			<u>1,719</u>
 TOTAL REVENUE COLLECTED	 748,611	 748,611	 613,081
<u>EXPENDITURES PAID</u>			
Legislative			15,223
General Government			255,400
Public Safety			82,651
Public Works			190,520
Recreation and Culture			97,944
Other Functions			93,221
Debt Service			<u>22,970</u>
 TOTAL EXPENDITURES PAID	 748,095	 748,095	 757,929
 EXCESS REVENUE COLLECTED OVER (UNDER) EXPENDITURES PAID	 516	 516	 (144,848)
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfer Out to Other Funds	<u>-</u>	<u>-</u>	<u>(37,914)</u>
 EXCESS REVENUE COLLECTED AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES PAID AND OTHER FINANCING USES	 516	 516	 (182,762)
 CASH BASIS FUND BALANCE - JULY 1	 <u>516,732</u>	 <u>516,732</u>	 <u>551,953</u>
 CASH BASIS FUND BALANCE - JUNE 30	 <u>\$ 517,248</u>	 <u>\$ 517,248</u>	 <u>\$ 369,191</u>

**HAYES TOWNSHIP, CLARE COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON - MUNICIPAL STREET FUND
YEAR ENDED JUNE 30, 2005**

Schedule 2

	Original Budget	Final Amended Budget	Actual
<u>REVENUE COLLECTED</u>			
Taxes			\$ 67,631
Interest and Dividend Earnings			-
 TOTAL REVENUE COLLECTED	67,200	67,200	67,631
<u>EXPENDITURES PAID</u>			
Highways and Streets	60,000	60,000	40,239
 EXCESS REVENUE COLLECTED OVER (UNDER) EXPENDITURES PAID	7,200	7,200	27,392
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfer Out to Other Funds	-	-	(50,000)
 EXCESS REVENUE COLLECTED AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES PAID AND OTHER FINANCING USES	7,200	7,200	(22,608)
 CASH BASIS FUND BALANCE - JULY 1	223,667	223,667	223,667
 CASH BASIS FUND BALANCE - JUNE 30	\$ 230,867	\$ 230,867	\$ 201,059

**HAYES TOWNSHIP, CLARE COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON - RUBBISH FUND
YEAR ENDED JUNE 30, 2005**

Schedule 3

	Original Budget	Final Amended Budget	Actual
<u>REVENUE COLLECTED</u>			
Special Assessments			\$ 180,841
Interest and Dividend Earnings			-
TOTAL REVENUE COLLECTED	181,032	181,032	180,841
<u>EXPENDITURES PAID</u>			
Public Works	213,500	213,500	213,755
EXCESS REVENUE COLLECTED OVER (UNDER) EXPENDITURES PAID	(32,468)	(32,468)	(32,914)
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfer In from Other Funds	-	-	32,914
EXCESS REVENUE COLLECTED AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES PAID AND OTHER FINANCING USES	(32,468)	(32,468)	-
CASH BASIS FUND BALANCE - JULY 1	33,683	33,683	-
CASH BASIS FUND BALANCE - JUNE 30	\$ 1,215	\$ 1,215	\$ -

**HAYES TOWNSHIP, CLARE COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON - GYPSY MOTH FUND
YEAR ENDED JUNE 30, 2005**

Schedule 4

	Original Budget	Final Amended Budget	Actual
<u>REVENUE COLLECTED</u>			
Taxes			\$ 145,115
Interest and Dividend Earnings			<u>2</u>
TOTAL REVENUE COLLECTED	142,785	142,785	145,117
<u>EXPENDITURES PAID</u>			
Public Works	<u>141,250</u>	<u>141,250</u>	<u>141,082</u>
EXCESS REVENUE COLLECTED OVER (UNDER) EXPENDITURES PAID	1,535	1,535	4,035
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfer In from Other Funds	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS REVENUE COLLECTED AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES PAID AND OTHER FINANCING USES	1,535	1,535	4,035
CASH BASIS FUND BALANCE - JULY 1	<u>16,817</u>	<u>16,817</u>	<u>16,817</u>
CASH BASIS FUND BALANCE - JUNE 30	<u>\$ 18,352</u>	<u>\$ 18,352</u>	<u>\$ 20,852</u>

**HAYES TOWNSHIP, CLARE COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON - TOWNSHIP IMPROVEMENT FUND
YEAR ENDED JUNE 30, 2005**

Schedule 5

	Original Budget	Final Amended Budget	Actual
<u>REVENUE COLLECTED</u>			
Interest and Dividend Earnings	\$ -	\$ -	\$ -
<u>EXPENDITURES PAID</u>	-	-	-
EXCESS REVENUE COLLECTED OVER (UNDER) EXPENDITURES PAID	-	-	-
<u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfer In from Other Funds	-	-	(41,414)
EXCESS REVENUE COLLECTED AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES PAID AND OTHER FINANCING USES	-	-	(41,414)
CASH BASIS FUND BALANCE - JULY 1	<u>135,260</u>	<u>135,260</u>	<u>135,260</u>
CASH BASIS FUND BALANCE - JUNE 30	<u>\$ 135,260</u>	<u>\$ 135,260</u>	<u>\$ 93,846</u>

OTHER SUPPLEMENTAL INFORMATION

HAYES TOWNSHIP, CLARE COUNTY
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2005

Schedule 6

	<u>Capital Project Funds</u>			
	Recreation Development Capital Project	Logan Capital Project	TEA-21 Capital Project	Total
<u>ASSETS</u>				
Cash	\$ -	\$ 42,168	\$ -	\$ 42,168
<u>FUND BALANCE</u>				
Reserved				
Capital Projects		42,168	-	42,168
Unreserved - Undesignated	-	-	-	-
 TOTAL FUND BALANCE	 \$ -	 \$ 42,168	 \$ -	 \$ 42,168

**HAYES TOWNSHIP, CLARE COUNTY
COMBINING STATEMENT OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005**

Schedule 7

	<u>Capital Project Funds</u>			
	Recreation Development Capital Project	Logan Capital Project	TEA-21 Capital Project	Total
EXPENDITURES				
CONSTRUCTION	\$ 41,414	\$ 7,832	\$ 5,000	\$ 54,246
OTHER FINANCING SOURCES (USES)				
Operating Transfer Out to Other Funds	-	-	-	-
Operating Transfer In from Other Funds	<u>41,414</u>	<u>50,000</u>	<u>5,000</u>	<u>96,414</u>
TOTAL OTHER FINANCING SOURCES (USES)	41,414	50,000	5,000	96,414
EXCESS OF REVENUE AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	-	42,168	-	42,168
FUND BALANCE - JULY 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - JUNE 30	<u>\$ -</u>	<u>\$ 42,168</u>	<u>\$ -</u>	<u>\$ 42,168</u>

HAYES TOWNSHIP, CLARE COUNTY
STATEMENT OF CHANGES IN GENERAL FIXED ASSETS
YEAR ENDED JUNE 30, 2005

Schedule 8

	Balance 7/1/2004	Additions	Deletions	Balance 6/30/2005
<u>BUILDINGS AND IMPROVEMENTS</u>				
<u>Township Hall</u>				
1973 Remodeling	\$ 17,000	\$ -	\$ -	\$ 17,000
Additions and Improvements	42,936	-	-	42,936
Land Improvements	23,909	-	-	23,909
Total Township Hall	83,845	-	-	83,845
<u>Community Building</u>				
Building	134,613	-	-	134,613
Additions and Improvements	37,014	-	-	37,014
Land Improvements	24,201	-	-	24,201
Total Community Building	195,828	-	-	195,828
<u>Civic Center</u>				
Building	124,564	-	-	124,564
Additions and Improvements	69,277	10,261	-	79,538
Land Improvements	28,489	-	-	28,489
Total Civic Center	222,330	10,261	-	232,591
<u>Cemetery Storage Building</u>				
Building	3,082	-	-	3,082
Gazebo	746	-	-	746
Additions and Improvements	665	-	-	665
Total Cemetery Storage Building	4,493	-	-	4,493
<u>Park Storage Building</u>				
Building	6,151	-	-	6,151
Pavilion	16,500	-	-	16,500
Outhouse	3,300	-	-	3,300
Additions and Improvements	229	-	-	229
Land Improvements	14,004	-	-	14,004
Total Park Storage Building	40,184	-	-	40,184
TOTAL BUILDINGS AND IMPROVEMENTS	546,680	10,261	-	556,941
<u>LAND AND IMPROVEMENTS</u>				
Paul R. Clark Memorial Park	30,591	-	-	30,591
Park Land and Improvements	7,472	-	-	7,472
Civic Center Land	39,600	-	-	39,600
Sutherland Lake Land	2,800	-	-	2,800
Future Expansion Land	74,024	-	-	74,024
TOTAL LAND AND IMPROVEMENTS	154,487	-	-	154,487

HAYES TOWNSHIP, CLARE COUNTY
STATEMENT OF CHANGES IN GENERAL FIXED ASSETS
YEAR ENDED JUNE 30, 2005

Schedule 8

	Balance 7/1/2004	Additions	Deletions	Balance 6/30/2005
<u>EQUIPMENT</u>				
Cemetery Equipment	\$ 10,143	\$ -	\$ -	\$ 10,143
Voting Machines	2,600	-	-	2,600
Safe	300	-	-	300
File Cabinets	5,107	-	-	5,107
Typewriters	2,863	-	-	2,863
Lawn Mowers	835	-	-	835
Riding Lawn Mowers	850	-	-	850
Grass Trimmer	130	-	-	130
Copiers	9,401	-	-	9,401
Desks	552	-	-	552
Property Card Assessment System	50,480	-	-	50,480
Calculators	1,149	-	-	1,149
Stacking Chairs and Chair Trucks	7,367	-	-	7,367
Cleaning Equipment	4,509	-	-	4,509
Floor Machine	510	-	-	510
Kitchen Equipment	4,966	-	-	4,966
Coat Racks	303	-	-	303
Registration Books	750	-	-	750
Folding Tables	1,587	-	-	1,587
Office Chairs	371	-	-	371
Storage Cabinet	438	-	-	438
Community Center Equipment	22,955	-	-	22,955
Fans	580	-	-	580
Typing Table	71	-	-	71
Park Equipment	17,604	-	-	17,604
Neighborhood Watch Signs	1,263	-	-	1,263
Postage Machine	8,980	-	-	8,980
Message Board	1,497	-	-	1,497
Sports Equipment	10,229	-	-	10,229
Office Equipment	784	-	-	784
Wooden Ladder	285	-	-	285
Snow Blower	1,620	-	-	1,620
Chain Saw	175	-	-	175
Refrigerators	2,418	-	-	2,418
Computer Hardware/Software	95,502	1,325	-	96,827
Wheelbarrow	60	-	-	60
Telephone System	3,909	-	-	3,909
Barrel Stove	150	-	-	150
Blood Pressure Cuff	27	-	-	27
1980 GMC Pickup	-	-	-	-
Water Coolers	1,100	-	-	1,100
Miscellaneous Equipment	8,034	-	-	8,034
Playground Equipment	7,017	-	-	7,017
1990 Chevrolet Truck/Dumpbox and Snowplow	12,811	-	-	12,811
Frost Remover	630	-	-	630

HAYES TOWNSHIP, CLARE COUNTY
STATEMENT OF CHANGES IN GENERAL FIXED ASSETS
YEAR ENDED JUNE 30, 2005

Schedule 8

	Balance 7/1/2004	Additions	Deletions	Balance 6/30/2005
<u>EQUIPMENT</u> (Continued)				
Trailer	\$ 900	\$ -	\$ -	\$ 900
1999 Jeep Cherokee	9,200	-	-	9,200
2003 Chevy Silverado	28,565	-	-	28,565
John Deere Tractor	19,216	-	-	19,216
Computer Server and Software	6,220	-	-	6,220
Exercise Equipment	5,000	-	-	5,000
Marksman Carpet Cleaner	1,875	-	-	1,875
20 Hp Tractor	<u>2,239</u>	<u>-</u>	<u>-</u>	<u>2,239</u>
 TOTAL EQUIPMENT	 <u>376,127</u>	 <u>1,325</u>	 <u>-</u>	 <u>377,452</u>
 TOTAL GENERAL FIXED ASSETS	 <u>\$ 1,077,294</u>	 <u>\$ 11,586</u>	 <u>\$ -</u>	 <u>\$ 1,088,880</u>

HAYES TOWNSHIP, CLARE COUNTY
COMPARATIVE SCHEDULE OF EXPENDITURES BY OBJECT ACCOUNT
GENERAL FUND
YEARS ENDED JUNE 30, 2005 AND 2004

	Schedule 9	
	<u>2005</u>	<u>2004</u>
<u>LEGISLATIVE</u>		
Township Board		
Fees and Per Diem	\$ 3,830	\$ 3,830
Comp in Lieu	7,780	6,067
Office Supplies and Postage	1,095	(722)
Memberships and Dues	2,261	2,236
Equipment Rental	<u>257</u>	<u>-</u>
TOTAL LEGISLATIVE	15,223	11,411
<u>GENERAL GOVERNMENT</u>		
Supervisor		
Salaries and Wages	24,066	23,570
Comp in Lieu	6,668	6,067
Office Supplies and Postage	326	194
Education and Training	255	240
Contracted Services	1,679	2,013
Repairs and Maintenance	91	66
Capital Outlay	<u>75</u>	<u>890</u>
Total Supervisor	33,160	33,040
Elections		
Salaries and Wages	4,341	-
Operating Supplies	79	-
Printing and Publishing	91	-
Capital Outlay	<u>267</u>	<u>-</u>
Total Elections	4,778	-
Independent Accounting and Auditing		
Auditing Fees	5,410	4,180
Assessor		
Office Supplies	2,266	1,440
Postage	2,838	2,972
Contracted Services	36,868	37,202
Transportation	46	-
Printing and Publishing	-	860
Education and Training	75	75
Repairs and Maintenance	50	66
Capital Outlay	<u>193</u>	<u>1,032</u>
Total Assessor	42,336	43,647
Attorney		
Legal Fees	3,185	2,523

HAYES TOWNSHIP, CLARE COUNTY
COMPARATIVE SCHEDULE OF EXPENDITURES BY OBJECT ACCOUNT
GENERAL FUND
YEARS ENDED JUNE 30, 2005 AND 2004

	Schedule 9	
	<u>2005</u>	<u>2004</u>
<u>GENERAL GOVERNMENT</u> (Continued)		
Clerk		
Salaries and Wages	\$ 16,518	\$ 16,518
Salaries and Wages - Deputy Clerk	9,522	7,503
Comp in Lieu	12,225	12,133
Holiday/Vacation	500	1,108
Postage	1,301	892
Operating Supplies	990	1,070
Education and Training	275	90
Repairs and Maintenance	109	66
Contracted Services	5,848	6,072
Capital Outlay	831	-
Printing and Publishing	841	746
Miscellaneous	<u>48</u>	<u>-</u>
Total Clerk	49,008	46,198
Board of Review		
Fees and Per Diem	921	450
Treasurer		
Salaries and Wages	29,734	29,734
Salaries and Wages - Deputy Treasurer	9,874	10,083
Comp in Lieu	13,336	9,628
Holiday/Vacation	660	297
Postage	6,551	5,730
Operating Supplies	2,499	2,227
Education & Training	190	-
Contracted Services	3,475	5,564
Repairs and Maintenance	88	126
Capital Outlay	956	417
Printing and Publishing	-	715
Miscellaneous	<u>22</u>	<u>-</u>
Total Treasurer	67,385	64,521
Building and Grounds		
Salaries and Wages	22,585	20,105
Holiday/Vacation	953	725
Operating Supplies	2,224	1,473
Contractual Services	246	52
Communications	5,001	5,507
Public Utilities	2,824	2,926
Capital Outlay	-	3,985
Memberships and Dues	224	183
Repairs and Maintenance	<u>2,744</u>	<u>11,931</u>
Total Building and Grounds	36,801	46,887

HAYES TOWNSHIP, CLARE COUNTY
COMPARATIVE SCHEDULE OF EXPENDITURES BY OBJECT ACCOUNT
GENERAL FUND
YEARS ENDED JUNE 30, 2005 AND 2004

	Schedule 9	
	<u>2005</u>	<u>2004</u>
<u>GENERAL GOVERNMENT</u> (Continued)		
Cemetery		
Salaries and Wages	\$ 11,744	\$ 9,405
Operating Supplies	228	126
Repairs and Maintenance	444	187
Total Cemetery	<u>12,416</u>	<u>9,718</u>
TOTAL GENERAL GOVERNMENT	255,400	251,164
 <u>PUBLIC SAFETY</u>		
Fire Protection		
Contractual Services	59,724	39,714
Zoning Administration		
Salaries and Wages	13,376	12,486
Supplies	79	165
Contracted Services	4,965	-
Education and Training	-	65
Total Zoning Administration	18,420	12,716
Zoning Board of Appeals		
Salaries and Wages	1,345	1,856
Printing and Publishing	190	241
Total Zoning Board of Appeals	1,535	2,097
Planning Commission		
Salaries and Wages	2,760	2,873
Office Supplies	32	108
Printing and Publishing	180	377
Total Planning Commission	<u>2,972</u>	<u>3,358</u>
TOTAL PUBLIC SAFETY	82,651	57,885
 <u>PUBLIC WORKS</u>		
Highways and Streets		
Contracted Services	78,411	13,040
Street Lighting		
Public Utilities	928	918
Sanitation		
Contracted Services	111,181	108,766
TOTAL PUBLIC WORKS	190,520	122,724

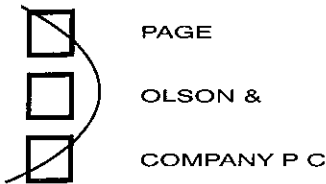
HAYES TOWNSHIP, CLARE COUNTY
COMPARATIVE SCHEDULE OF EXPENDITURES BY OBJECT ACCOUNT
GENERAL FUND
YEARS ENDED JUNE 30, 2005 AND 2004

	Schedule 9	
	<u>2005</u>	<u>2004</u>
<u>RECREATION AND CULTURE</u>		
Parks and Recreation		
Salaries and Wages	\$ 6,287	\$ 6,617
Operating Supplies	-	83
Repairs and Maintenance	173	673
Communications	268	259
Public Utilities	427	417
Capital Outlay	<u>-</u>	<u>3,436</u>
Total Parks and Recreation	7,155	11,485
Library		
Contracted Services	22,122	20,893
Community Building		
Salaries and Wages	373	-
Operating Supplies	464	923
Communications	715	725
Public Utilities	11,289	9,844
Repairs and Maintenance	3,280	2,493
Miscellaneous	6	-
Capital Outlay	<u>10,261</u>	<u>3,377</u>
Total Community Building	26,388	17,362
Civic Center		
Salaries and Wages	18,152	15,624
Comp in Lieu	6,668	6,067
Holiday/Vacation	1,052	548
Operating Supplies	1,797	2,952
Contracted Services	43	-
Communications	435	389
Printing and Publishing	379	219
Public Utilities	10,728	10,061
Repairs and Maintenance	1,849	3,462
Capital Outlay	<u>1,176</u>	<u>1,691</u>
Total Civic Center	42,279	41,013
Facilities and Program		
Salaries and Wages	<u>-</u>	<u>12,252</u>
TOTAL RECREATION AND CULTURE	97,944	103,005

HAYES TOWNSHIP, CLARE COUNTY
COMPARATIVE SCHEDULE OF EXPENDITURES BY OBJECT ACCOUNT
GENERAL FUND
YEARS ENDED JUNE 30, 2005 AND 2004

Schedule 9

	<u>2005</u>	<u>2004</u>
<u>OTHER FUNCTIONS</u>		
Fringe Benefits		
Social Security - Township's Share	17,067	15,552
Life Insurance	1,406	1,228
Hospitalization	24,840	22,346
Pension Plan Contributions	35,204	30,808
Unemployment Expense	59	60
Fringe Benefits	12,796	12,987
Officials Bonds	<u>1,849</u>	<u>2,923</u>
TOTAL OTHER FUNCTIONS	93,221	85,904
<u>DEBT SERVICE</u>		
Debt Payments		
Principal Payments	18,716	17,728
Interest Payments	<u>4,254</u>	<u>5,242</u>
TOTAL DEBT SERVICE	<u>22,970</u>	<u>22,970</u>
TOTAL GENERAL FUND EXPENDITURES	<u>\$ 757,929</u>	<u>\$ 655,063</u>



AUDIT COMMUNICATION AND REPORT OF COMMENTS AND RECOMMENDATIONS

October 10, 2005

Township Board
Hayes Township
Clare County, Michigan

We have recently completed our audit of the financial statements of Hayes Township, Clare County for the year ended June 30, 2005. As required by auditing standards generally accepted in the United States of America, the independent auditor is required to make several communications to the governing body having oversight responsibility for the audit. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible.

AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA

We conducted our audit of the financial statements of Hayes Township in accordance with auditing standards generally accepted in the United States of America. The following paragraph explains our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets, and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the responsibility of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than those items of lesser importance or those in which the possibility of material error is remote.

For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

Township Board
Hayes Township
Clare County, Michigan

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

In the audit process, we gain an understanding of the internal control structure of an entity for the purpose of assisting in determining the nature, timing, and extent of audit testing. Our understanding is obtained by inquiry of management, testing transactions, and observation and review of documents and records. The amount of work done is not sufficient to provide a basis for an opinion on the adequacy of the internal control structure.

SIGNIFICANT ACCOUNTING POLICIES

Auditing standards call for us to inform you regarding the initial selection of, and changes in, significant accounting policies or their application. In addition, we are expected to inform you about methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

The significant accounting policies are described in Note 1 to the financial statements. Other information related to the implementation of GASB 34 is discussed further in the Other Communications Section.

OTHER COMMUNICATIONS

Auditing standards call for us to inform you of other significant issues such as, but not limited to, 1) Accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments; 2) Significant audit adjustments that may not have been detected except through the auditing procedures we performed; 3) Disagreements with management regarding the scope of the audit or application of accounting principles; 4) Consultation with other accountants; 5) Major issues discussed with management prior to retention; and 6) Difficulties encountered in performing the audit.

Audit adjustments necessary to reclassify some transactions were made to the Township's records, and copies of these adjustments were forwarded to the Township clerk.

The Township elected to do a full implementation of the GASB 34 reporting format while continuing to use the cash basis of accounting. Therefore the Management's Discussion and Analysis, government-wide statements and budgetary comparison schedules for each major fund have been included in the financial statements. Since the Township has remained cash basis, capital assets and long term debt are not reported on the statement of net assets.

Township Board
Hayes Township
Clare County, Michigan

**COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/
EFFICIENCY**

In planning and performing our audit of the financial statements of Hayes Township, for the year ended June 30, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that we believe to be material weaknesses.

Reportable Conditions (Material Weaknesses)

DISBURSEMENTS

During disbursement testing it was noted that one payment was made to reimburse the City of Harrison for an overpayment received from them that only had a hand written note as support. All disbursements should have proper documentation to support the need for the purchase.

APPROPRIATIONS IN BUDGETARY FUNDS

P.A. 2 of 1968, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. We noted during our audit that the Township incurred expenditures in excess of the amount appropriated as noted in Note # 2 in the Notes to the Financial Statements.

The budget should be amended during the year to reflect expenditures expected to be made in excess of the original budget amounts. These amendments must be approved by the Township Board and documented in the Board's meeting minutes.

Copies of the originally approved budget must be attached to the minutes and copies of each revised budget should be retained in order to properly trace the amendments.

Township Board
Hayes Township
Clare County, Michigan

**COMMENTS AND RECOMMENDATION REGARDING INTERNAL CONTROLS/ COMPLIANCE/
EFFICIENCY (CONTINUED)**

Other Conditions

ACCOUNT CODING

During disbursement testing it was noted that two of the forty-two invoices tested were not coded to the proper general ledger accounts. More care should be taken to ensure that all invoices are recorded in the proper general ledger account.

INVOICE CANCELLATION

During disbursement testing it was noted that one of the forty-two invoices tested was not properly cancelled. Greater care should be taken to ensure that all invoices are clearly cancelled to reduce the risk of paying the invoice twice.

FINANCIAL OVERSIGHT

The general limitations in a smaller government require that the Township Board Members continue to remain involved in the financial affairs of the Township through oversight of operation, development of the annual budget, inquiries about variance between budgeted and actual amounts shown in the financial statements, and the independent review of critical functions. This comment is intended to emphasize the importance of this oversight and to remind the board of its continued obligation to perform accordingly.

SUMMARY

We thank the Township personnel for their time and effort given to us during the audit. We look forward to serving the Township in the future as its independent auditor or in any other capacity needed. The conditions mentioned above were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the financial statements, and this report does not affect our report on the financial statements dated October 10, 2005.

Page, Olson & Company